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Report of the Secretary-General on Ethiopia and Eritrea

I. Introduction

1. The present report is submitted pursuant to paragraph 12 of Security Council resolution 1320 (2000) of 15 September 2000, by which the Council requested me to keep it closely and regularly informed of progress towards the implementation of this resolution. The report provides an update on developments in the Mission area and describes the activities of the United Nations Mission in Ethiopia and Eritrea (UNMEE) since my previous report dated 1 November 2007 (S/2007/645).

II. Situation in the Temporary Security Zone and adjacent areas

2. The military situation in the Temporary Security Zone and adjacent areas remained tense during the period leading up to the Eritrea-Ethiopia Boundary Commission deadline of 30 November for demarcation of the boundary. Both Eritrea and Ethiopia continued to reinforce their military deployments in the border area. The Eritrean Defence Forces continued to induct troops into the Temporary Security Zone. Since 1 November, UNMEE has observed some 500 newly deployed Eritrean soldiers in the Zone in Sector West, 300 in Sector Centre and 100 in Subsector East.

3. UNMEE also observed Eritrean troops participating in various training activities, involving small arms and mortars, inside the Temporary Security Zone in Sector Centre, and tanks near Assab, outside the areas adjacent to Subsector East. On 28 and 29 November, the Mission observed an Eritrean armoured personnel carrier and five artillery guns in the area adjacent to the Temporary Security Zone in Sector Centre. On 23 December, the Mission observed three tanks deployed in the Zone in Sector West. In addition, UNMEE assesses that considerable numbers of troops entered the Zone in all sectors using newly constructed alternate routes, which enable them to bypass UNMEE's static check posts to avoid detection.

4. A significant number of regular Eritrean troops are now deployed along multiple defensive lines in all sectors. Eritrean forces also continued to fortify and build new defences. Some 17 new Eritrean camps were established in the Temporary Security Zone and areas adjacent to it during the reporting period. A number of new check posts were also erected inside the Zone. In late October, UNMEE observed Eritrean troops building 21 new bunkers inside the Zone in Sector Centre and a

defensive stone wall near the village of Serha, also in the Zone in the same Sector. The Eritrean Defence Forces have also dug new trench lines in the Zone.

5. For their part, the Ethiopian Armed Forces conducted training and advanced some 2,300 additional troops deeper into the border areas in Sector West. They also constructed new defences in areas adjacent to Subsector East. In late October, Ethiopian forces built a two-kilometre trench line with bunkers in Subsector East.

6. On 22 and 27 October, in the first such occurrence, an Ethiopian military helicopter carried out an aerial reconnaissance over the border town of Zela Ambessa, in Sector Centre. On 24 November, 16 Ethiopian armoured personnel carriers were observed at a location near the strategic Mereb Bridge in Sector Centre. On 26 December, UNMEE observed three surface-to-air missile launchers, a target-acquisition radar and a command post being deployed in areas adjacent to Sector Centre. Ethiopia also continued to maintain a strategic reserve force, which is located approximately 150 kilometres south of the areas adjacent to Sector West. Though UNMEE has not been able to determine the exact strength of the reserve force, it is likely to comprise a number of infantry and mechanized divisions that are equipped with weaponry, including heavy equipment with a defensive and offensive capability.

7. On 22 October, Ethiopian forces alleged that Eritrean troops crossed the border to collect stones for the construction of the stone wall in Sector Centre mentioned in paragraph 4 above. On 1 December, the Ethiopian forces deployed in the Zela Ambessa area, opposite Serha, threatened to open fire at any Eritreans who crossed the borderline into Ethiopia to collect stones for the construction of the stone wall. UNMEE mediated between the two sides and prevented the situation from escalating. The Eritrean Defence Forces have since reduced the number of military personnel working at the construction site. On 21 November, two Ethiopian youths from Zela Ambessa in Sector Centre alleged that they had been detained for two hours by Eritrean troops. UNMEE was unable to verify these allegations.

8. On 26 December, Ethiopian and Eritrean forces exchanged gunfire near the village of Tserona in Sector Centre. Both Eritrea and Ethiopia granted UNMEE access to the location of the incident for an investigation. While both parties acknowledged the incident, they accused each other of initiating the attack. Eritrea stated that it captured two "prisoners of war" during the incident.

9. UNMEE assisted the parties in resolving other cross-border incidents, including cases of livestock-rustling. On 8 November and 24 December, six Ethiopian children, who had inadvertently crossed the border into Eritrea from Zela Ambessa in Sector Centre, were repatriated with UNMEE's assistance. UNMEE's medical service also continued to provide medical assistance to civilians on both sides of the border.

III. Restrictions imposed on the United Nations Mission in Ethiopia and Eritrea

10. Eritrea continues to maintain all previously imposed restrictions on UNMEE. The ban on United Nations helicopter flights in Eritrean airspace, introduced in October 2005, remains in force, depriving the Mission of critical capacity to carry out emergency medical evacuation. The Government of Eritrea also continues to

refuse to accept UNMEE personnel who are nationals of certain Member States, including the United States of America, Canada and European countries.

11. Eritrea also maintains the 45 permanent (longer than six months) restrictions on UNMEE's freedom of movement in a number of areas. The Mission is also banned from carrying out night patrols. UNMEE patrolling is still restricted to the main supply routes within the Temporary Security Zone in all Sectors. In addition, Eritrea continues to block UNMEE traffic across the strategic bridges in Sector West between Om Hajer, in Eritrea, and Humera, in Ethiopia, and between Shilalo, in Eritrea, and Shiraro, in Ethiopia.

12. Since September 2006, Eritrea has imposed restrictions on the supply of diesel fuel to UNMEE. Furthermore, since 1 December 2007, the Mission has not received any fuel from its suppliers in Eritrea. This has created critical fuel shortages, forcing UNMEE to reduce certain important operational activities, including patrols, demining and the provision of administrative support to regional locations and team sites. The Mission has already had to reduce the use of generators in its camps and some checkpoints in the field to two hours a day and has begun experiencing serious difficulties in sustaining its troops and military observers and in maintaining reliable communications between its field posts and team sites. UNMEE has repeatedly raised this matter with the Eritrean Commissioner. On 24 and 26 December 2007, my Deputy Special Representative addressed a letter to the Commissioner on the issue and also met with him to underscore the gravity of the situation. In addition, UNMEE has requested permission to import fuel from the United Nations Mission in the Sudan (UNMIS), as a temporary relief measure. Although the Commissioner assured UNMEE that he had submitted a favourable recommendation to the Petroleum Authority, UNMEE has yet to receive a reply to its request. On 15 January, UNMEE reported that if the situation was not resolved through the immediate provision of fuel authorized by the Government of Eritrea, the Mission would be compelled to initiate the relocation of its personnel from Eritrea, and effectively halt its operations. Continued restrictions of fuel supplies to the Mission are likely to force it to halt more of its critical operations in the near future and would have a major negative impact on the ability of the Mission to implement its mandate in just a few days after the issuance of the present report.

13. On 11 November, an UNMEE military observer patrol in Sector West was stopped at gunpoint at an Eritrean Defence Forces check post and ordered to return to its base, while on 11 and 13 November, a group of 10 to 15 Eritrean Defence Forces personnel ordered UNMEE to remove the barrier at a check post on the road in Sector Centre. On 2 and 4 December, a truck carrying rations for UNMEE's observer post was stopped in Sector West at an Eritrean Defence Forces check post and forced to return to its base. Following UNMEE protests after these incidents, Eritrean forces restrained themselves from stopping and turning back UNMEE vehicles in the area. However, on 10 January, an UNMEE vehicle belonging to the Mine Action Coordination Centre was stopped at a militia checkpoint at Shambiko, in Sector West. Subsequently, UNMEE discovered that the two drivers of the vehicle — members of UNMEE local staff — had been arrested allegedly for not having completed national service and were detained. Although UNMEE submitted documents to the Eritrean authorities proving that the drivers had completed national service, the drivers have not been released. The UNMEE vehicle was also compounded.

14. On the Ethiopian side, on 23 November, an UNMEE patrol was detained for two hours at an Ethiopian Armed Forces check post north of Badme, in Sector West. The Mission lodged a protest with the Ethiopian authorities, who explained that the newly deployed soldiers were not familiar with procedures concerning UNMEE. The Mission has not faced any other restrictions by Ethiopia.

IV. Military Coordination Commission

15. Since the 37th meeting of the Military Coordination Commission held on 31 July 2006, UNMEE has not been able to convene further meetings of the Commission. Ethiopia maintains that it will resume participation in the Commission upon the full restoration by Eritrea of the integrity of the Temporary Security Zone. For its part, Eritrea insists that it will attend meetings of the Commission as soon as Ethiopia resumes its participation. Despite UNMEE efforts undertaken in its regular contacts with Ethiopian officials at all levels, their position has not changed.

V. Implementation of Security Council resolution 1767 (2007)

16. I regret to report that the parties have not complied with the demands of the Security Council contained in its resolution 1767 (2007) of 30 July 2007, as specified in paragraph 43 below. In a letter dated 19 November 2007, addressed to the President of the Eritrea-Ethiopia Boundary Commission, the President of Eritrea accepted the boundary demarcation by map coordinates, "as an important step forward towards the demarcation on the ground", and urged the Commission to persist until the erection of pillars, "to bring the process to its natural conclusion". Since then, President Isaias Afwerki of Eritrea has repeatedly stated that the border issue has been "legally resolved", and that Eritrea considered the border demarcated. He reaffirmed this position in an interview on the New Year's Day, which was broadcast on Eritrean television on 5 January.

17. Furthermore, in her letter dated 29 November, addressed to the President of the Eritrea-Ethiopia Boundary Commission, the Eritrean Legal Adviser to the President acknowledged as "both final and valid" the demarcation coordinates that the Commission has specified, while stressing that Eritrea also considered these coordinates "as binding as other Commission's decisions". For its part, Ethiopia has maintained its position that demarcation by map coordinates has no legal force or effect. In a letter addressed to the President of the Eritrea-Ethiopia Boundary Commission on 27 November 2007, the Minister for Foreign Affairs of Ethiopia stated that the "demarcation coordinates are invalid because they are not the product of a demarcation process recognized by international law".

18. The Assistant Secretary-General for Peacekeeping Operations travelled to the region and met separately with the Ethiopian Prime Minister and the Eritrean President on 8 and 9 November 2007, respectively. He conveyed to the two leaders my concern about the military build-up in the border area and urged them to exercise restraint and pull their forces back in order to avoid an accident that could escalate.

19. On 20 November, I addressed identical letters to the President of Eritrea and the Prime Minister of Ethiopia to express my concern over the increasing tensions

on the ground, urging them to take immediate steps to ease tensions, avert a possible incident, which could result from the military build-up and the proximity of their forces, and reactivate the Military Coordination Commission. On 23 November, in his letter of reply, the Prime Minister of Ethiopia welcomed my involvement and supported my efforts to be a bridge between the two countries. In his letter dated 24 November, the President of Eritrea denied that there was a military build-up on the Eritrean side of the border and called upon the United Nations to shoulder its responsibilities to ensure the rule of law and the prevalence of justice.

20. On 29 November, I wrote again to the Ethiopian and Eritrean leaders, proposing to dispatch my Under-Secretary-General for Political Affairs to both capitals to discuss ways to begin the demarcation process, in accordance with the Algiers Agreements. Ethiopia welcomed the proposal. In his letter dated 3 December, the President of Eritrea reiterated his objection to "alternative mechanisms" to the Eritrea-Ethiopia Boundary Commission. Consequently, the proposed visit has yet to take place.

21. On 11 December, I sent a letter to the President of the Security Council informing him of the steps I had undertaken to engage the parties since 13 November 2007. Subsequently, in his letter dated 21 December, addressed to the President of the Security Council, the President of Eritrea stated that my 11 December letter was "out of consonance with the reality at hand". He observed that "Ethiopia's refusal to vacate Eritrean territory constitutes a gross violation of the Charter of the United Nations". The letter also called on the Council to "redress this injustice in accordance with its legal responsibilities under the Algiers Agreement, the Charter of the United Nations and general principles of international law".

22. In a related development, Eritrea's official media reported that, in his address to a meeting of the Cabinet on 27 December, the President of Eritrea underlined that, "the border issue in its legal, political and technical aspects was concluded, thus marking the culmination of the Algiers Agreement". Furthermore, in his letter dated 15 January 2008, addressed to the President of the Security Council, the President of Eritrea acknowledged that the Eritrea-Ethiopia Boundary Commission has terminated its functions by completing its work through "virtual demarcation" and that "the boundary is demarcated". The letter also states that "UNMEE has now been left, after five and a half years, with no option other than 'maintaining occupation', and urges the Security Council to compel the evacuation of the 'army and institutions of the Ethiopian regime occupying our sovereign territories to prevent other unnecessary developments'".

23. In a letter dated 18 January 2008, addressed to me, the Minister of Foreign Affairs of Ethiopia contended that the Commission's virtual demarcation "has no validity in international law" and that attempts to equate the status of the Commission's Delimitation Decision of 13 April 2002 and the Statement of 27 November 2006 were "entirely unacceptable", as "it was clear from the Commission's mandate that there could be no equation between the two" and, therefore, they "cannot be equally binding". The letter stressed that Ethiopia fully accepted the Delimitation Decision of 13 April 2002 as final and binding and is committed to its implementation and full demarcation of the border, and added that this remained impossible unless and until Eritrea fully accepts its fundamental obligations and restores the full integrity of the Algiers Agreements.

24. Also on 18 January, the Minister of Foreign Affairs of Ethiopia sent a letter to the President of the Security Council in which he described the Commission's "virtual demarcation" as "legal fiction". The letter also stressed that Eritrea was in breach of the Agreement on Cessation of Hostilities as it has completely violated the demilitarized Temporary Security Zone and urged the Council to take appropriate measures against "the party that has violated the provisions of the ceasefire agreement".

25. With regard to paragraph 14 of resolution 1767 (2007), in which the Council welcomed my ongoing efforts towards the earliest appointment of a Special Representative, I would like to inform Council members that in December 2007, the Secretariat proposed to the Permanent Missions of Ethiopia and Eritrea a candidate for the post of my new Special Representative, for their consideration. In early January, the Secretariat approached the Permanent Missions of Ethiopia and Eritrea again to inform them that unless they would advise to the contrary, I intended to proceed with the appointment. By mid-January, both Ethiopian and Eritrean Missions informed the Secretariat that their capitals, for various reasons, would appreciate it if I did not move forward with the appointment at this time. I will keep the Council informed of any further development on this matter.

VI. Eritrea-Ethiopia Boundary Commission

26. A detailed account of the work of the Commission is contained in annex II to the present report. As indicated in that report, the parties have made no progress towards the implementation of the delimitation decision announced by the Eritrea-Ethiopia Boundary Commission on 13 April 2002. Consequently, on 30 November, the Commission sent the maps signed by the Commission members, indicating the demarcated boundary points (coordinates), to the Permanent Missions of Ethiopia and Eritrea to the United Nations. On the same day, the Commission also issued its final press release, reiterating its statement of 27 November 2006.

VII. Mine action

27. The UNMEE Mine Action Coordination Centre continued humanitarian demining activities, clearing 473,382 m^2 of agricultural land and preparing 243,747 m^2 for future clearance inside the Temporary Security Zone in Sector Centre. A further 6,670 m^2 of agricultural land and 895 km of roads were cleared or assessed for the possibility of newly laid mines in the Badme area in Sector West.

28. On 11 November, Eritrean militia ordered UNMEE to suspend demining activities in Sector Centre without providing any reason. However, the Mission was allowed to resume operations on 10 December, after discussions with the authorities, both at the local level and in Asmara. Subsequently, restrictions were imposed on the disposal of unexploded ordnance in the area of Assab in Subsector East from 12 November to 31 December.

29. During the reporting period, the Mission destroyed 11 anti-tank mines, 18 anti-personnel mines and 292 pieces of unexploded ordnance. UNMEE also conducted mine risk education for some 9,000 local residents in Sectors West and Centre. Three mine-related incidents were reported during this period. On 1 December, a

truck struck a mine in Sector West, without any casualties involved. On 7 December, a mine exploded in the Humera area, also in Sector West. A Chinese road construction contractor and a local civilian sustained injuries as a result of the explosion. The investigation carried out by the Mine Action Coordination Centre revealed that the mine was likely to have been newly planted. On 21 December, a vehicle belonging to UNMEE's demining contractor was struck by a mine explosion. No personnel sustained injuries, but the vehicle was severely damaged. The incident took place on a road that had been recently cleared, which may represent a worrying trend of new mine placement.

VIII. Humanitarian situation

30. Food security for the internally displaced persons resettled in the Gash Barka and Debub regions in Eritrea has improved, following the good rainy season (from June to September). The United Nations and its partners provided the resettled populations and internally displaced persons with farm tools, water and shelter. The Government of Eritrea and the United Nations have agreed on a plan to return and/or resettle some 11,000 remaining internally displaced persons in the Debub region in 2008, the availability of resources permitting.

31. Addressing the outbreak of acute watery diarrhoea in Ethiopia continues to be a major challenge, despite recent reports from the Ethiopian Government indicating some decrease of the condition nationwide. In the meantime, the Government and its international health partners expressed concern about the possibility of a large-scale outbreak of meningitis and Rift Valley fever.

32. Recent reports indicate that a growing number of Eritrean nationals are crossing the border into Ethiopia on a daily basis, reaching some 600 last November. According to the Office of the United Nations High Commissioner for Refugees, the number of these refugees, who are hosted at Shimelba refugee camp, numbered over 16,000 in December 2007.

33. The humanitarian situation in Shimelba camp continues to deteriorate owing to inadequate food rations and poor health service delivery. Although voluntary counselling and training centres have been established, the prevalence of HIV/AIDS continues to be a serious threat. In addition, lack of shelter and clothing for the refugees poses a major challenge. I appeal to the international donor community to provide humanitarian relief assistance for these refugees.

34. On 26 October, over 1,200 Ethiopian nationals living in Eritrea and 62 Eritrean nationals living in Ethiopia were voluntarily repatriated to their respective countries of origin under the auspices of the International Committee of the Red Cross with UNMEE assistance. It is essential that both parties ensure that such repatriations remain voluntary and are carried out in a proper and dignified manner.

IX. Public information

35. During the reporting period, local demand for information about UNMEE remained high. Public information activities relating to United Nations special days were well attended in both capitals and at the Mission's outreach centres in Ethiopia, in Addis Ababa, Mekelle and Adigrat. UNMEE outreach centres in Eritrea

have been closed since 2003. UNMEE news and the weekly radio programme continued to be printed and broadcasted in English and in the local languages, on a regular basis.

X. Conduct and discipline

36. Six minor cases of misconduct were reported in UNMEE during the reported period. In the meantime, UNMEE has been vigorously pursuing preventive and enforcement steps aimed at upholding the standards of conduct and the zero tolerance policy towards sexual exploitation and abuse. The Mission conducted the training of some 1,760 staff on sexual exploitation and abuse and other conduct-related matters.

XI. HIV/AIDS

37. The UNMEE HIV/AIDS Unit continued the induction training for UNMEE military and civilian personnel, along with awareness training for military contingents. Voluntary counselling and testing services were made broadly available to staff. In addition, focal points on the ground designated by UNMEE have enabled the provision of assistance to local residents in the Temporary Security Zone and areas adjacent to it.

XII. Financial aspects

38. The General Assembly, by its resolution 61/248 B of 29 June 2007, appropriated the amount of $113.5 million for the maintenance of UNMEE for the period from 1 July 2007 to 30 June 2008. Therefore, should the Security Council approve my recommendation set out in paragraph 42 below with respect to the extension of the mandate of UNMEE, the cost of the maintenance of the Mission during the extension period until 30 June 2008 will be limited to resources approved by the General Assembly.

39. As at 30 November 2007, unpaid assessed contributions to the special account for UNMEE amounted to $31.2 million. The total outstanding assessed contributions for all peacekeeping operations as at that date amounted to $3,153.8 million. Reimbursement of troop and contingent-owned equipment costs has been made for the period up to October and September 2007, respectively, in accordance with the quarterly payment schedule.

XIII. Observations

40. In its twenty-sixth report (see annex II), the Eritrea-Ethiopia Boundary Commission affirmed that the boundary between Ethiopia and Eritrea now automatically stands as demarcated by the boundary points (coordinates) listed in the annex to the Commission's Statement of 27 November 2006, and that it considers this decision as binding on the parties. The Commission further asserted that it "has fulfilled its mandate and remains in existence in order to deal with any remaining administrative matters".

41. EEBC further reported "for this purpose, as within 45 days following notification to it of the death of Sir Arthur Watts, Ethiopia has not nominated a substitute Commissioner, the Secretary-General may wish to consider exercising his power of appointment pursuant to article 4, paragraph 4, of the Algiers Agreement of 12 December 2002. The filling of the vacancy would facilitate the discharge by the Commission of any request that might be made to it". Eritrea and Ethiopia, however, continue to express diverging views on the decisions of the Commission. While Ethiopia has acknowledged the Commission's decision to end its work and stated that it will not be necessary to appoint a replacement for Sir Arthur Watts, a member of the Commission, who passed away on 16 November 2007, Eritrea has urged the Commission to persist in its efforts to arrange placement of pillars on the ground. Furthermore, Eritrea has accepted the demarcation coordinates stipulated by the Commission as final and binding, and "as an important step forward towards the demarcation on the ground", while Ethiopia maintains that the coordinates are invalid "because they are not the product of a demarcation process recognised by international law".

42. Eritrea and Ethiopia bear the primary responsibility for resolving their border dispute and normalizing their relations for the benefit of their peoples. To achieve this, the parties have to summon the necessary political will to overcome their differences peacefully, without use or threat of force. Moreover, the parties have an obligation to comply with the Algiers Agreements, as well as resolutions of the Security Council, and to implement the decisions of the Boundary Commission. My offer of good offices to assist the two parties in this regard, as proposed in my letters of 20 November and 29 November to Prime Minister Meles Zenawi and President Isaias Afwerki, remains available. I also welcome recent public statements by Member States that have expressed their readiness to assist the two countries in the implementation of their obligations under international law.

43. I remain concerned about the continuing military build-up by the two parties in the border areas, which continues to create the risk of igniting hostilities. I therefore call upon the parties to comply with the demands of the Security Council, set out in its resolution 1767 (2007), particularly to de-escalate the situation, including by returning to the 16 December 2004 levels of deployment, put an end to the exchange of hostile statements, provide UNMEE with the necessary assistance, support and protection required for the performance of its duties, as well as the Council's demands that Eritrea immediately withdraw its troops and heavy military equipment from the Temporary Security Zone and reverse, without further delay or preconditions, all restrictions on UNMEE movement and operations to allow the Mission to effectively carry out its mandate.

44. The Military Coordination Commission can play an important role in the resolution of security-related issues between the two countries. I encourage the parties to resume the meetings of the Military Coordination Commission without further delay and to cooperate in the promotion of confidence-building measures, such as demining and facilitating the provision of humanitarian assistance to the populations in need.

45. While the restrictions imposed on UNMEE by the Government of Eritrea since September 2006 have severely hampered the Mission capacity to effectively implement its mandate, I am seriously concerned that, if not resolved immediately, the stoppage of fuel supplies since 1 December 2007 will completely immobilize the

Mission operations in the coming few weeks. In such an event, UNMEE would be compelled to relocate staff and equipment. It is regrettable that, under the present circumstances, UNMEE's capacity to fulfil its mandate remains severely handicapped by the restrictions imposed by Eritrea. The prevailing situation where the two parties continue to refuse to comply with their obligations under international law and to impose impediments that are virtually crippling UNMEE creates a serious dilemma. While the presence of UNMEE is essential in helping the parties to defuse potentially destabilizing incidents and in mitigating the risk of a widescale conflict, the mounting restrictions have reached a critical stage, which requires a decision from the Council concerning the future of UNMEE. In light of the restrictions on UNMEE operations, including the stoppage of fuel supplies to run the Mission, I recommend a one month technical roll-over of the mandate of UNMEE. In the meantime, I will review the developments on the ground and the challenges facing UNMEE, and prepare specific recommendations on the future direction of the Mission, including possible withdrawal or relocation.

46. In conclusion, I wish to express my gratitude to all civilian and military personnel of the Mission for their continued commitment, hard work and perseverance in an increasingly difficult and stressful working environment. I pay tribute to all partners of the Mission, the African Union, the Witnesses to the Algiers Agreements, and the Friends of UNMEE, as well as the United Nations country teams, humanitarian agencies and other international organizations, and individual Member States, for the support they continue to lend to the peace process. I also pay tribute to the late Sir Arthur Watts of the Eritrea-Ethiopia Boundary Commission, whose knowledge, expertise and judgement made a remarkable contribution to the work of the Commission. Finally, I would like to thank the troop-contributing countries for their sustained commitment to this important peacekeeping operation.

Annex I

United Nations Mission in Ethiopia and Eritrea: military contributions as at 1 January 2008

Country	*Military observers*	*Troops*	*Staff*	*Total*	*National support elements*
Algeria	8	0	0	8	
Austria	2	0	0	2	
Bangladesh	8	0	5	13	
Bolivia	3	0	0	3	
Bosnia and Herzegovina	5	0	0	5	
Brazil	7	0	0	7	
Bulgaria	4	0	0	4	
China	7	0	0	7	
Croatia	4	0	0	4	
Czech Republic	2	0	0	2	
Denmark	3	0	0	3	
Finland	5	0	0	5	
France	1	0	0	1	
Gambia	2	0	0	2	
Germany	2	0	0	2	
Ghana	10	0	4	14	
Greece	3	0	0	3	
Guatemala	6	0	0	6	
India	8	701	14	723	
Iran (Islamic Republic of)	3	0	0	3	
Jordan	8	559	11	578	
Kenya	9	114	4	127	
Kyrgyzstan	4	0	0	4	
Malaysia	7	0	3	10	
Mongolia	4	0	0	4	
Namibia	4	0	3	7	
Nepal	6	0	0	6	
Nigeria	7	0	2	9	
Norway	3	0	0	3	
Pakistan	5	0	0	5	
Paraguay	3	0	0	3	
Peru	4	0	0	4	
Poland	2	0	0	2	
Romania	5	0	0	5	
Russian Federation	3	0	0	3	

Country	*Military observers*	*Troops*	*Staff*	*Total*	*National support elements*
South Africa	5	0	0	5	
Spain	3	0	0	3	
Sri Lanka	4	0	0	4	
Sweden	3	0	0	3	
Tunisia	5	0	3	8	
Ukraine	3	0	0	3	
United Republic of Tanzania	8	0	2	10	
United States of America	5	0	0	5	
Uruguay	5	33	4	42	
Zambia	10	0	3	13	
Total	**218**	**1 407**	**58**	**1 683**	

Annex II

Twenty-sixth report of the Eritrea-Ethiopia Boundary Commission

1. This is the twenty-sixth, and probably final, report of the Eritrea-Ethiopia Boundary Commission, covering the period from 27 September to 31 December 2007. The previous report covered the period from 10 July to 26 September 2007.

2. The Commission must begin this report by recording with profound regret the passing of Sir Arthur Watts KCMG QC on 16 November 2007. His service to the Commission and to international law was unsurpassed, and he will be greatly missed. On 20 November 2007, the Commission notified the Parties of his death and informed them that, as Sir Arthur was appointed by Ethiopia, in accordance with articles 4 (6) and 4 (4) of the Algiers Agreement and article 11 of the Commission Rules of Procedure, Ethiopia had 45 days (until 4 January 2008) within which it might appoint a substitute Commissioner. Ethiopia has stated that it does not consider it necessary to appoint a replacement.

3. The Commission believes it important to recall the terms of paragraph 22 of its Statement of 27 November 2006:

> "As the Commission evidently cannot remain in existence indefinitely, it proposes that the Parties should, over the next 12 months, terminating at the end of November 2007, consider their positions and seek to reach agreement on the emplacement of pillars. If, by the end of that period, the Parties have not by themselves reached the necessary agreement and proceeded significantly to implement it, or have not requested and enabled the Commission to resume its activity, the Commission hereby determines that the boundary will automatically stand as demarcated by the boundary points listed in the Annex hereto and that the mandate of the Commission can then be regarded as fulfilled. Until that time, however, it must be emphasized that the Commission remains in existence and its mandate to demarcate has not been discharged. Until such time as the boundary is finally demarcated, the Delimitation Decision of 13 April 2002 continues as the only valid legal description of the boundary".

4. Notwithstanding the meeting on 6 and 7 September 2007, described in the Commission's previous report, no progress has been made towards the construction of boundary pillars in the manner foreseen in the above-mentioned Statement.

5. As the 30 November 2007 deadline approached, the Commission received letters from the Parties.

6. In a letter dated 19 November 2007, Eritrea maintained that the responsibility for the Commission's inability to proceed further with the physical demarcation lies squarely on the shoulders of the Ethiopian Government and its supporters. It affirmed Eritrea's acceptance of the procedure set out in the Commission's Statement of 27 November 2006 as an important step forward towards the demarcation on the ground and urged the Commission to proceed with the erection of pillars so as to bring the process to its natural conclusion. It stated, further, that it recognized UNMEE's important contribution to physical demarcation of the border and that it is prepared to extend unreserved cooperation to UNMEE.

7. In a letter dated 27 November 2007, Ethiopia recalled the Commission's statements that it would end its work on 1 December 2007, and stated that it respects the Commission's decision in this regard. It asserted that the demarcation coordinates set out in the Commission's Statement of 27 November 2006 "are invalid because they are not the product of a demarcation process recognized by international law". It suggested that "[t]o the extent [that] the parties are not in agreement as to how demarcation should proceed, the dispute resolution provisions of the Algiers Agreements apply". Ethiopia added some responses to Eritrea's letter of 19 November 2007, maintaining that Eritrea was responsible for creating a dangerous situation in the boundary region "by its blatant breaches of the Algiers Agreements" and stating that Eritrea "could end immediately the escalation of tensions noted in its letter by complying with its fundamental obligations under the Algiers Agreements". It characterized Eritrea's references to its willingness to "extend unreserved cooperation to UNMEE" as a "vague promise of cooperation with UNMEE [that] cannot be trusted". Ethiopia said further that "[d]espite Eritrea's intransigence, Ethiopia will continue to give peace a chance, and work for peaceful resolution of disputes and demarcation of the boundary in accordance with international law, including the Algiers Agreements, after the Commission ends its work". It concluded by saying that as "[t]he Commission's decision to end its substantive work automatically by November 30 has long been established and known by the parties ... it will not be necessary for Ethiopia to appoint a replacement for Sir Arthur Watts, and Ethiopia does not intend to do so".

8. Eritrea communicated a detailed response to Ethiopia's contentions in a letter to the Commission dated 29 November 2007, of which the following are some of the principal points:

- "Ethiopia is simply wrong in stating that 'neither Ethiopia nor Eritrea have accepted the Commission's November [27], 2006 demarcation coordinates as constituting a final, valid demarcation'. To the contrary, Eritrea acknowledges as both final and valid the coordinates that the Commission has specified and believes that these coordinates are as binding as other Commission decisions."
- "Eritrea believes ... that the Commission's decisions about how best to approach demarcation are not challengeable by a dissatisfied party ... Ethiopia is not entitled under the Algiers Agreement to second guess the Commission".
- Eritrea rejected Ethiopia's statement that the "implementation of the Commission's 2002 Delimitation Decision is now a matter for the parties". Eritrea observed that adherence to the Commission's decision "is not optional under the Algiers Agreement".
- Eritrea further observed that "it is Ethiopia and not Eritrea that is responsible for the fact that boundary pillars have not been erected".
- Recalling the statements made by Ethiopia at the meeting held on 6-7 September 2007, it added that Ethiopia has been in grave breach of the Algiers Agreement since the day that the Delimitation Award was announced and gave details of what it views as these breaches.

9. The texts of the above three letters, which are important to a balanced assessment of the positions of the Parties, are attached hereto.

10. For its part, the Commission feels obliged to reaffirm the considerations of fact and the statements of law set out in its Statement of 27 November 2006. The Delimitation Decision of 13 April 2002 and the Statement of 27 November 2006 remain binding on the Parties.

11. In stipulating that the boundary now automatically stands as demarcated by the boundary points listed in the annex to the 27 November 2006 Statement, the Commission considers that it has fulfilled the mandate given to it. It remains in existence in order to deal with any remaining administrative matters. For this purpose, as within 45 days following notification to it of the death of Sir Arthur Watts Ethiopia has not nominated a substitute Commissioner, the Secretary-General may wish to consider exercising his power of appointment pursuant to article 4, paragraph 4, of the Algiers Agreement of 12 December 2000. The filling of the vacancy would facilitate the discharge by the Commission of any request that might be made to it.

12. Signed copies of the maps illustrating the points identified in the annex to the 27 November 2006 Statement were officially sent to the Parties on 30 November 2007. A copy will presently be deposited with the United Nations and another copy for public reference will be retained in the office of the United Nations Cartographer.

13. As noted in the Commission's last report, Ethiopia continues to be in arrears in payment of its share of the Commission's expenses, in breach of article 4 (17) of the Algiers Agreement. The Registrar will presently send to the Parties an accounting recording the present financial position.

14. The Commission cannot conclude this report without expressing its appreciation of the outstanding support given to it by its Secretary, the United Nations Cartographer, Hiroshi Murakami, his successor, Kyoung-Soo Eom, and their Deputy, Alice Chow, and by the Registrar of the Commission, initially Bette Shifman, and her successor Dane Ratliff, of the Permanent Court of Arbitration, and their staff. In the work that the Commission was able to do in the field, it was greatly aided by the support of UNMEE, for which it is most grateful, as it is also to its Special Consultant, Bill Robertson, and its Chief Surveyor, Vincent Belgrave, for their highly skilled and experienced technical contribution. The Commission also recalls with gratitude the contributions of the donors to the United Nations Trust Fund for Eritrea and Ethiopia, which enabled it to continue its work.

(*Signed*) Sir Elihu **Lauterpacht**
President of the Eritrea-Ethiopia Boundary Commission

7 January 2008

Attachment I

Asmara, 19 November 2007

President Sir Elihu Lauterpacht
Eritrea Ethiopia Boundary Commission
Permanent Court of Arbitration
The Hague, The Netherlands

Dear President Lautherpacht,

Allow me to convey to you my best wishes for your personal well being.

It has been almost one year since the Eritrea Ethiopia Boundary Commission announced its decision to conclude the demarcation of its final and binding 13 April 2002 Delimitation Award by way of maps and coordinates ("virtual demarcation"). Eritrea understands the reasons for this decision: the Commission's practical inability to implement the Award in the manner envisaged in the Algiers Peace Agreement.

Your decision to do so has no doubt provoked a number of questions. It has also prompted various parties to speculate on and predict a number of scenarios and consequences.

As the Commission's deadline for the taking effect of this virtual demarcation is fast approaching, permit me to outline my observations and express Eritrea's position.

1. The past five and half years have been a period of dangerous impasse. Eritrea has continued to respect the rule of law and to uphold the integrity of the Algiers Peace Agreement; has accepted the final and binding Award without equivocation; and has patiently waited for the implementation of the Award through physical demarcation so as to bring the matter to closure. Encouraged by its supporters, however, the Government of Ethiopia has endeavoured to force renegotiation of the final and binding Award even while all along pretending to abide by the Algiers Agreement. The result has been an endless series of pretexts designed to frustrate the demarcation process, to paralyze the EEBC, and to force the adoption of an "alternative" mechanism. In the cynical views of the Ethiopian Government,

an interminable paralysis of the process would inevitably entail "the death of the lender, the death of the borrower, or the death of the broker culminating in the death of the process itself". In the meantime, Ethiopia continues to occupy Eritrean territories by force in violation of international law and the Algiers Agreement. But force - despite Ethiopia's best efforts – cannot be permitted to create a de facto situation. Our sovereign territories cannot remain under occupation through the violation of the rule of law.

2. President Lauterpacht, you are more familiar with the history of the current situation than anyone, and there is no need to rehearse in detail how we have come to where we stand today. Notwithstanding the Commission's best efforts, the Ethiopian Government has been able (with the support of third parties) to halt the implementation of the Award. As noted above, Eritrea has, in accordance with its treaty obligations, extended its unreserved cooperation to ensure the physical demarcation of the boundary. We wish it to be noted that responsibility for the Commission's inability to proceed further towards physical demarcation lies squarely on the shoulders of the Ethiopian Government and its external supporters.

3. Had the Algiers Agreement been respected, the final and binding Award fully accepted, and the demarcation of the boundary expeditiously completed, the peoples of Eritrea and Ethiopia would long ago have returned to their natural state of neighborliness and cooperation. Instead, the violation of the Agreement has not only embroiled the peoples of Eritrea and Ethiopia in conflict but also plunged the whole region in a spiral of dangerously escalating crisis. Again, we wish it to be noted that responsibility for the unremitting hostility and tension rests squarely on the shoulders of the Ethiopian Government and those that have encouraged its unlawful conduct.

4. The time and effort spent in the attempts to enforce the final and binding Award have been substantial. The efforts of the Commission, in particular, to bring the matter to closure are widely known and appreciated. Notwithstanding the justifiable frustration that the Commission no doubt feels, I urge the Commission to continue to shoulder this burden, with all its challenges, until the process is consummated. No other entity can fulfill the Commission's mandate to demarcate the boundary physically.

5. As far as "virtual demarcation" is concerned, there are obviously numerous questions that could be raised in regard to its meaning, content and implications. Mindful however, of the difficulties that the Commission already faces in carrying out its mandate, I choose simply to affirm, at this stage, Eritrea's acceptance of this procedure as an important step forward towards the demarcation on the ground. But since virtual demarcation does not represent completion of the process, I urge the Commission to persist until erection of pillars to bring the process to its natural conclusion.

6. As previously confirmed, we recognize UNMEE's important contribution, in combination with the efforts of other sources of technical support and expertise, in the tasks of physical demarcation of the boundary. In this spirit, Eritrea is prepared to extend unreserved cooperation to UNMEE.

In conclusion, let me add that I shall communicate to you a more detailed and technical statement of Eritrea's position reflecting advice from our legal Counsel concerning the meaning, contents and implications of "virtual demarcation".

Sincerely,

Isaias Afwerki

BEST COPY AVAILABLE

Attachment II

The Federal Democratic Republic of Ethiopia

Ministry of Foreign Affairs

November 27, 2007

Dear President,

I am writing to convey my Government's views with respect to various issues of relevance to the Commission.

In its November 26, 2006 Statement and subsequent statements, including those appearing in the transcript of the most recent meeting of the Boundary Commission of September 6-7, 2007, and in the Commission's 25th Report to the Secretary-General of September 28, 2007, the Commission has repeatedly made clear its decision to end its work and existence on December 1, 2007, apart from any administrative details that might arise in that connection. This decision of the Commission was made and reconfirmed prior to the sudden death of Commissioner Sir Arthur Watts and, by its terms, was to take effect automatically. At our meeting in The Hague on September 6-7, neither party raised objection to the Commission's confirmation of its decision to end its work and existence upon the conclusion of this month. Ethiopia respects the Commission's decision in this regard.

As the Boundary Commission, the Secretary-General, and the United Nations Security Council have recognized, implementation of the Commission's 2002 Delimitation Decision is now a matter for the parties. The Commission found numerous occasions during our recent meeting to remind the parties that a number of obstacles to demarcation now remaining are of a political nature and exceed the scope of the Commission's mandate as the Commission understands it. Ethiopia has accepted without precondition the Delimitation Decision; yet neither Eritrea, nor Ethiopia have accepted the Commission's November 26, 2006 demarcation coordinates as constituting a final, valid demarcation. In Ethiopia's view, these demarcation coordinates are invalid because they are not the product of a demarcation process recognized by international law.

To the extent the parties are not in agreement as to how demarcation should proceed, the dispute resolution provisions of the Algiers Agreements apply. These require *inter alia* renunciation of the use of force and peaceful resolution through normal diplomatic interaction. This is not a "new mechanism" as charged by Eritrea. This is the mechanism for dispute resolution agreed to by both parties in the Algiers Agreements. Ethiopia takes its commitments in the Algiers Agreements seriously. It is time for Eritrea as well to conform its behavior to the commitments it has undertaken in the Algiers Agreements.

Although beyond the scope of the Commission's view of its mandate, certain comments in Eritrea's letter to the Commission of November 19, 2007, require a response for the record. Eritrea is responsible for creating a dangerous situation in the boundary region and preventing

demarcation by its blatant breaches of the Algiers Agreements. Eritrea has completely shattered the Agreement on Cessation of Hostilities. It has violated the provision for the separation of forces by positioning thousands of troops and weapons along the boundary. Eritrea is supporting terrorist groups and organizations carrying out activities in and against Ethiopia. Eritrea has virtually shut down UNMEE's operations. Eritrea could end immediately the escalation of tensions noted in its letter by complying with its fundamental obligations under the Algiers Agreements, namely, to discontinue its threats and use of force and resolve disputes through peaceful means, to allow UNMEE to fulfill its mission, and to remove its military forces from the Temporary Security Zone.

Yet Eritrea's letter makes no reference to removing its troops and ceasing its support of terrorist activities; and its vague promise of cooperation with UNMEE cannot be trusted. If Eritrea were committed to the peace process and to establishing a final boundary, it could fully restore the integrity of the Temporary Security Zone and UNMEE freedom of operations today and cease support of terrorist operations. Eritrea's refusal to do so has brought the situation to its current state.

It should not be overlooked, in this regard, that Eritrea is yet to respond to Ethiopia's Notification in which we made it clear that Ethiopia would exercise the peaceful and legal options available to it should Eritrea continue to refuse to return to full compliance with the Algiers Agreements. Despite Eritrea's intransigence, Ethiopia will continue to give peace a chance, and work for peaceful resolution of disputes and demarcation of the boundary in accordance with international law, including the Algiers Agreements, after the Commission ends its work.

Finally, may I say that Ethiopia has been deeply saddened by the sudden death of Sir Arthur Watts. His learning, wisdom, and good judgment have made a tremendous contribution to the work of the Boundary Commission. At this point, whatever work remains for the Commission is administrative. The Commission's decision to end its substantive work automatically by November 30 has long been established and known by the parties and the international community, including the Witnesses to the Algiers Agreements. This decision was reconfirmed during the Commission's September meetings in The Hague, in which Sir Arthur participated. Therefore, it will not be necessary for Ethiopia to appoint a replacement for Sir Arthur Watts, and Ethiopia does not intend to do so.

Please accept, Dear President, the assurance of my highest consideration.

Yours sincerely,

[redacted]
Foreign Minister

President Sir Elihu Lauterpacht
Eritrea Ethiopia Boundary Commission
Permanent Court of Arbitration
The Hague, The Netherlands

Attachment III

THE STATE OF ERITREA
LEGAL ADVISOR TO THE
OFFICE OF THE PRESIDENT

Sir Elihu Lauterpacht
President, Eritrea Ethiopia Boundary Commission
Permanent Court of Arbitration
The Hague, The Netherlands

29 November 2007

Dear President Lauterpacht;

Allow me to express our deep regret at your news of the passing of Sir Arthur Watts. I speak on behalf of both the Government of Eritrea and also myself personally in recognizing the great service that Sir Arthur performed as a member of the Eritrea Ethiopia Boundary Commission as well as to the wider practice of international law.

Eritrea finds it necessary, unfortunately, to answer Ethiopian Foreign Minister Seyoum Mesfin's letter of 27 November 2007. This letter's misstatements of fact, and Ethiopia's continuing efforts to undermine the finality of the Commission's decisions, require a response.

1. First, Ethiopia is simply wrong in stating that "neither Ethiopia nor Eritrea have accepted the Commission's November 26, 2006 demarcation coordinates as constituting a final, valid demarcation." To the contrary, Eritrea acknowledges as both final and valid the coordinates that the Commission has specified and believes that these coordinates are as binding as other Commission decisions. While Eritrea does hope that the Commission will persist in its efforts to arrange for placement of pillars on the ground, this is not because of any lack of finality or validity to the Commission's identification of coordinates.

Eritrea believes, moreover, that the Commission's decisions about how best to approach demarcation are not challengeable by a dissatisfied party. The Algiers Agreement is explicit that the parties are bound to honor the Commission's decisions; this includes the Commission's rulings concerning the best method for demarcation. Ethiopia is

apparently of the view that it has a right to review the Commission's choice of demarcation methods and needs honor only those that it agrees with. However, Ethiopia is not entitled under the Algiers Agreement to second guess the Commission, to conclude that its coordinates "are invalid because they are not the product of a demarcation process recognized by international law", or to insist that its own chosen methods be employed in place of the ones that the Commission adopted.

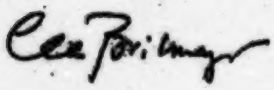
2. Second, Ethiopia is not correct to state that "implementation of the Commission's 2002 Delimitation Decision is now a matter for the parties." Adherence to the Commission's decisions is not optional under the Algiers Agreement. The Algiers Agreement makes the EEBC the sole method for resolving disputes over delimitation and demarcation. Article 4 paragraph 15 provides, "The parties agree that the delimitation and demarcation determinations of the Commission shall be final and binding..." It is for the parties to respect the Commission's decisions, not to attempt to renegotiate them.

3. Third, as the Commission is well aware, it is Ethiopia and not Eritrea that is responsible for the fact that boundary pillars have not been erected. At the Commission's meeting of 6-7 September 2007, Ethiopia demonstrated clearly once again its unwillingness to honor the Commission's decisions. Ethiopia at that meeting demanded that Eritrea fulfill an extraneous and ever-expanding set of preconditions, after which (it said) it would "discuss" whether to demarcate the boundary. Ethiopia stated clearly its rejection of the Commission's demarcation approach (an approach that includes a refusal to alter the delimitation line to reflect so-called "human geography") and it further rejected the Commission's instructions about what Ethiopia would have to do in order that demarcation might proceed. Eritrea, as will be recalled, pledged complete cooperation with these instructions.

Ethiopia has been in grave breach of the Algiers Agreement almost since the day that the 2002 Delimitation Award was first announced. Ethiopia's longstanding treaty violations include: failure to remove the unlawful settlements that it placed on the Eritrean side of the boundary in the summer of 2002; refusal to pay its financial assessments to support the Commission's work; and instances of physical interference with the Commission's technical team too numerous to list. It goes without saying that Ethiopia is not entitled first to make it impossible to place boundary pillars and then to insist that the Commission's approach is invalid because it did not complete the task of pillar emplacement that Ethiopia itself made impossible.

Eritrea therefore requests that the Commission specifically reiterate, as provided in the Algiers Agreement, that (1) Ethiopia is bound by its demarcation decisions, just as it is bound by the delimitation Award; (2) Ethiopia's claim to have a right to terminate the Algiers Agreements can have no effect on the finality of the Commission's decisions, whether relating to demarcation or to delimitation; and (3) the methodology and coordinates that the Commission has identified are final and binding under Article 4 paragraph 15 of the Algiers Agreement. The Commission should reaffirm at this juncture the finality and validity of the coordinates and methodology that it had adopted, as well as Ethiopia's obligation to respect them.

Sincerely,



Professor Lea Brilmayer
Legal Advisor to the President of Eritrea

S/2008/40/Corr.1

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United Nations S/2008/40/Corr.1

Security Council

Distr.: General
24 January 2008

Original: English

Report of the Secretary-General on Ethiopia and Eritrea

Corrigendum

1. Paragraph 13, third sentence

For restrained themselves *read* refrained

2. Paragraph 13, last sentence

For compounded *read* impounded

3. Paragraph 22

The last sentence *should read*

The letter states that "UNMEE has now been left, after five and a half years, with no option other than 'maintaining occupation'". The letter also urges the Security Council to compel the evacuation of the "army and institutions of the Ethiopian regime occupying our sovereign territories to prevent other unnecessary developments".

4. Paragraph 38

The second sentence *should read*

Therefore, should the Security Council approve my recommendation set out in paragraph 45 below with respect to the extension of the mandate of UNMEE, the cost of the maintenance of the Mission during the extension period until 30 June 2008 will be limited to resources approved by the General Assembly.

5. Paragraph 41, first sentence

For 2002 *read* 2000

08-21742 (E) 240108

United Nations S/2008/41

Security Council

Distr.: General
23 January 2008

Original: English

Letter dated 23 January 2008 from the Secretary-General to the President of the Security Council

I have the honour to refer to my letter dated 7 December 2007 (S/2007/725) to which was attached a note wherein I outlined the progress made with respect to the termination of operations of the United Nations Iraq Account under Security Council resolution 1483 (2003).

In that note, I informed the Council that the Government of Iraq and the Secretariat had agreed to set up a working group to minimize the number of unpaid letters of credit. In this respect, I should like to inform the Council that a meeting of the Working Group was held from 7 to 17 January 2008 in Amman. The Working Group was composed of representatives of the Ministry of Foreign Affairs of Iraq, the Central Bank of Iraq and the United Nations Secretariat.

The Working Group met with the concerned ministries of the Government of Iraq to address and resolve issues arising from the claims of suppliers that were enumerated in my note. In this respect, I transmit herewith the full report of the Working Group outlining the progress made with respect to the issues involved (see annex).

In addition, I indicated in my note my intention to transfer approximately $161 million of unencumbered funds to the Development Fund for Iraq. That amount was subsequently transferred to the Development Fund for Iraq, on 27 December 2007. It is my intention to continue to transfer unencumbered funds to the Development Fund for Iraq consistent with Security Council resolution of 1483 (2003) as the process of termination of the programme continues. At the same time, the reserve of $187 million and the balance of $225 million referred to in paragraph 1 of my note would be retained until all remaining issues have been resolved.

The Security Council may wish to take into account the foregoing information when addressing the proposals referred to in paragraph 67 of the note contained in document S/2007/725. Particular attention may be paid to the recommendation in paragraph 67 (f) of the note regarding the establishment of a mechanism to handle any issues that remain unresolved after the completion of the work of the Working Group. In this regard the Council may wish to note that the Working Group expects to meet again in mid-March to review progress achieved in the interim. The Council will be informed of the outcome of the meeting.

(*Signed*) **Ban Ki-moon**

08-21697 (E) 300108

Annex

Meeting of the Working Group regarding the termination of operations relating to letters of credit under the oil-for-food programme

Amman, 7-17 January 2008

1. The Secretary-General has kept the Security Council apprised of operations related to letters of credit opened under the oil-for-food programme, including concerns raised by suppliers. In various letters to the Security Council, the Secretary-General advised that:

(a) The responsible authorities in Iraq be urged to process authentication documents promptly so that payments could be made according to the terms and conditions of the letter of credit;

(b) The processing of authentication documents not be delayed on account of commercial disputes, which should instead be handled in accordance with commercial dispute resolution practices. The Secretary-General also noted that while the normal practice was to close a letter of credit 90 days after its expiry, the difficulties encountered in the processing of authentication documents required that funding be retained in the United Nations Iraq Account for expired letters of credit. To provide for the termination of the oil-for-food programme in an orderly manner, it was proposed in a meeting held in November 2007 of the representatives of the Government of Iraq and the Secretariat that a working group be set up, composed of members of the Secretariat, the Central Bank of Iraq and the relevant ministries of the Government of Iraq, in order to minimize the number of unpaid letters of credit as at 31 December 2007 for which claims of delivery had been made. On 7 December 2007 the Secretary-General transmitted to the President of the Security Council a note (S/2007/725), which is under consideration by the Council, outlining the proposals to address unresolved issues, including the establishment of mechanisms to deal with such issues.

2. Against this background, a meeting was held from 7 to 17 January 2008 in Amman of the Working Group, which was composed of representatives of the Ministry of Foreign Affairs of Iraq, the Central Bank of Iraq and the United Nations Secretariat in order to minimize the number of letters of credit unpaid as at 31 December 2007 for which there were known claims of delivery. The Working Group met with the concerned ministries of the Government of Iraq to address and resolve issues arising from 179 outstanding letters of credit that were enumerated in the note by the Secretary-General. The Working Group reviewed all outstanding claims of delivery so that the concerned ministries could confirm the delivery and issue and transmit the necessary documents as soon as possible following the session of the Working Group.

Status of the programme and developments since the November 2007 meeting

3. The Working Group was briefed on the current status of processing of active letters of credit as at 31 December 2007. It was noted that the number of letters of credit had decreased from 215 at the end of November to 210 at the end of December. However, it was also noted that the unpaid letters of credit that were pending with BNP Paribas had not been significantly reduced.

Table 1
Status of letters of credit as at 31 December 2007, by expiry period

	Outstanding letters of credit		*Claims of delivery*	
Expiration period	*Number*	*Value*[a]	*Number*	*Value*[a]
2004	42	53 982 125.30	38	42 564 611.84
2005	10	4 471 712.41	8	1 768 665.51
2006	81	202 940 716.35	70	48 856 568.37
2007	77	394 859 812.09	48	82 180 854.15
Total	**210**	**656 254 366.16**	**164**	**175 370 699.87**

[a] United States dollar equivalent.

Table 2
Status of letters of credit as at 31 December 2007, by sector

	Outstanding letters of credit		*Claims of delivery*	
Sector	*Number*	*Value*[a]	*Number*	*Value*[a]
Agriculture	31	104 715 908.86	26	35 881 874.78
Communication/transportation	14	23 269 718.73	9	11 048 267.27
Education	6	58 286 036.43	2	9 868 600.00
Electricity	16	80 701 060.56	12	10 341 669.60
Food	6	23 610 345.57	5	16 608 887.65
Food-handling	18	19 247 977.90	17	10 702 080.49
Health	7	10 701 661.71	5	1 281 104.93
Housing	31	126 380 397.99	29	41 768 434.05
Industry	1	479 336.88	1	479 336.88
Oil spares	61	135 272 909.67	44	21 907 062.22
Water and sanitation	19	73 589 011.87	14	15 483 382.00
Total	**210**	**656 254 366.16**	**164**	**175 370 699.87**

[a] United States dollar equivalent.

4. As a result of the comprehensive and intensive review of each letter of credit outstanding as at the effective termination date of 31 December 2007, the Working Group was able to agree on the categorization of all 210 outstanding letters of credit summarized in table 2 (see table 3).

Table 3
Status of letters of credit, by category

	Category[a]	*Outstanding letters of credit*	
		Number	*Value*[b]
1	Confirmations of arrival in Iraq in process (partial or full)[c]	114	384 982 410.96
2	Commercial disputes to be resolved and confirmations of arrival to be provided before 31 March 2008[d]	4	4 104 464.39
3	Commercial disputes that may not be resolved by 31 March 2008[e]	14	49 287 546.45
4	Letters of credit targeted for cancellation[f]	57	183 678 039.24
5	Paid or to be paid in 2008[g]	21	34 201 905.11
	Total	**210**	**656 254 366.16**

[a] See also table 4.

[b] United States dollar equivalent.

[c] The buyers in Iraq (concerned ministries) are in the process of preparing confirmations of the arrival of the goods in Iraq (see annex I).

[d] Concerned ministries have indicated that there are commercial disputes with the sellers of goods concerning quality and/or shortages and that the buyer and seller are negotiating to resolve those issues; the buyers in Iraq believe that the disputes will be resolved under normal commercial practices before 31 March 2008 and the confirmations of arrival will be forthcoming before that date (see annex II).

[e] Concerned ministries have commercial disputes with the sellers of goods concerning quality and/or shortages and the buyers believe that such disputes will not be resolved under normal commercial practices before 31 March 2008 and the confirmations of arrival will not be forthcoming before that date (see annex III).

[f] Concerned ministries have indicated that certain letters of credit should be cancelled (see annex IV), as the suppliers will not ship their goods due to:

(i) Insufficient time to prepare and ship the goods;
(ii) Unwillingness to ship the additional goods;
(iii) Inability to provide the services required to install and train personnel;
(iv) Belief of buyers that sellers have shipped in full or in part.

[g] Letters of credit that were paid subsequent to 30 November 2007, including the 17 referred to in the note by the Secretary-General and the 8 November letters of the President of the Security Council to the Secretary-General (S/2007/661) and the one to the Permanent Representative of Iraq to the United Nations. The Working Group discussed those 17 letters of credit in greater detail and was briefed on the Security Council's request to the Secretariat to issue all necessary documentation to BNP Paribas for early settlement of the related payments associated with them. The Working Group also noted that the Secretary-General, in his note to the President of the Security Council, had indicated that the Secretariat had issued all the necessary documentation to BNP Paribas for the settlement of the 17 letters of credit referred to in the letter dated 25 July 2007 from the Secretary-General to the President of the Security Council (S/2007/476).

Table 4
Analysis of letters of credit as at 15 January 2008, by sector

Category	*Total*		*1*		*2*		*3*		*4*		*5*	
Sector	*No.*	*Value*[a,b]	*No.*	*Value*[a]	*No.*	*Value*[a]	*No.*	*Value*[a]	*No.*	*Value*[a]	*No.*	*Value*[a]
Agriculture	31	104 715 908.86	21	96 984 145.91	0		0		4	3 693 786.27	6	4 037 976.68
Communication/ transportation	14	23 269 718.73	3	7 632 097.24	1	2 344 188.00	3	2 000 962.10	6	10 865 042.76	1	427 428.62
Education	6	58 286 036.43	1	8 505 000.00	0		0		3	47 469 397.70	2	2 311 638.73
Electricity	16	80 701 060.56	11	45 083 910.79	0		1	21 011 476.00	4	14 605 673.77	0	
Food	6	23 610 345.57	1	3 765 663.09	0		0		3	7 172 851.50	2	12 671 830.98
Food-handling	18	19 247 977.90	10	15 448 265.73	1	262 577.26	3	2 028 940.34	2	1 185 439.83	2	322 754.75
Health	7	10 701 661.71	3	7 891 985.26	0		0		4	2 809 676.44	0	
Housing	31	126 380 397.99	16	71 904 218.86	2	1 497 699.13	5	8 439 745.54	2	30 869 093.57	6	13 669 640.89
Industry	1	479 336.88	1	479 336.88	0		0		0		0	
Oil spares	61	135 272 909.67	35	95 118 014.00	0		1	887 880.20	24	38 860 029.72	1	406 985.74
Water and sanitation	19	73 589 011.87	12	32 169 773.19	0		1	14 918 542.27	5	26 147 047.68	1	353 648.72
Total	**210**	**656 254 366.16**	**114**	**384 982 410.96**	**4**	**4 104 464.39**	**14**	**49 287 546.45**	**57**	**183 678 039.24**	**21**	**34 201 905.11**

Categories:
1. Confirmation of arrival in Iraq (COA) in process (partial or full).
2. Commercial disputes to be resolved and COA to be provided before 31 March 2008.
3. Commercial disputes which may not be resolved by 31 March 2008.
4. Letters of credit targeted for cancellation.
5. Paid to be paid in 2008.

[a] United States dollar equivalent.
[b] As at 31 December 2007.

Confirmation of arrival of goods in Iraq

5. As a result of its activities and discussions, the Working Group recognized the following:

(a) Despite the continued calls from the Security Council and the Secretariat, the issuance of confirmations of arrival has been slow and at times not forthcoming;

(b) Under the existing procedures pursuant to Security Council resolutions 986 (1995) and 1546 (2004), payments cannot (absent an express exception by the Security Council) be made to suppliers who deliver goods and services to Iraq without the issuance of confirmations of arrival by the Central Bank of Iraq, which is the institution designated by the Government of Iraq to issue them;

(c) The Central Bank of Iraq was unable to issue the confirmations of arrival to the Secretariat as a result of the buyers' failure to provide a written confirmation of the arrival of goods from the respective warehouses of the buyers or the respective ministries of the Government of Iraq.

Agreement reached on the confirmation of arrival of goods in Iraq

6. The concerned ministries that participated in the activities of the Working Group have agreed to the following:

(a) On the claims that have been outstanding between 2004 and 2007, the confirmations of arrival would be delivered by the buyers in Iraq on an immediate and urgent basis to the Central Bank of Iraq, which in turn would be delivered to the Secretariat so that they can be paid without further delay;

(b) On the claims that are outstanding and on which there are commercial disputes between the buyer and the seller, the negotiations will conclude and the confirmations of arrival will be delivered to the Central Bank of Iraq, which in turn will be delivered to the Secretariat before 31 March 2008.

Commercial disputes between buyer and seller

7. On the claims from the buyers against the sellers of goods for shipments that have already been paid, the ministries that participated in this Working Group agreed that such commercial disputes would be settled outside the oil-for-food programme and should be pursued in accordance with the normal commercial procedures, namely, replacement of goods that do not meet the specifications, making additional shipments in the case of shortages, refunding payments made, returning the goods to the seller or instructing the seller to pick up the goods. The Secretariat will assist in providing any required information and documentation on these issues. However, it cannot be involved in settling the commercial disputes of buyers and sellers.

Letters of credit to be cancelled and release of "cash collateral" from the United Nations Iraq Account

8. To maximize the number of letters of credit cancelled by 31 March 2008, it was agreed that there were currently 57 letters of credit (see annex IV) with an approximate value of $184 million that are targeted for cancellation. Among them are 25 letters of credit with an approximate value of $166 million that have no

documents pending with the Bank. They would be cancelled immediately after verification by the Secretariat that they had no claims of delivery.

9. The Secretariat agreed to review the 32 letters of credit with an approximate value $17 million for which there are documents pending with the Bank to determine whether they could be cancelled and whether the associated cash collateral could be released from the collateral portion to the non-collateral portion of the United Nations Iraq Account.

10. Once this review has been completed by the Secretariat, the funds related to the 57 letters of credit will in principle be available for transfer to the Development Fund for Iraq in accordance with Security Council resolution 1483 (2003).

Claims against letters of credit that have been cancelled

11. The Working Group recognized that in certain situations, claims of delivery were communicated or discovered after the letters of credit had been cancelled. The Working Group agreed that they would be reviewed on a case-by-case basis for final resolution of the claim as long as the shipment was valid in the context of the related letter of credit.

Transfer of funds to the Development Fund for Iraq

12. In relation to the issue of the transfer of funds to the Development Fund for Iraq and the establishment of the claims settlement mechanism, the Government of Iraq has again expressed its reservations with respect to the establishment of a claims settlement mechanism. The Central Bank of Iraq proposed setting up a sub-account of the Fund where the funds for cancelled letters of credit could be transferred and that could be used for the settlement of claims from sellers of goods and services under the programme, as well as any shipment made after 31 December 2007. The Secretariat indicated that it lacked authority to agree to such an arrangement, which would require the express approval of the Security Council.

Steps agreed upon

13. The Working Group agreed that for any shipment made after 31 December 2007, the suppliers would be informed that the commercial channels would be readily available for those companies previously involved in the programme and wishing to do business or complete their shipments with Iraq.

14. On those claims for which there are no commercial disputes, the concerned ministries will confirm delivery and issue and transmit the necessary confirmations of arrival to the Central Bank of Iraq as soon as possible following the session of the Working Group.

15. On those claims for which there are commercial disputes, the concerned ministries agreed to resolve the commercial issues with the seller and confirm delivery, and accordingly the Central Bank of Iraq would issue and transmit the necessary confirmation of arrival by 31 March 2008.

16. On those claims for which there are commercial disputes that cannot be resolved by 31 March, the funds will be retained in the United Nations Iraq Account until the issues have been resolved under the streamlined claims settlement mechanism to bring the programme to an orderly and timely close.

17. For those claims that the concerned ministries have against suppliers who have been paid in accordance with the terms and conditions of the letter of credit, the ministries agreed to pursue such issues under normal commercial practices outside the programme. The Secretariat is ready to assist in this endeavour.

18. The Working Group agreed that if the concerned ministries do not provide the necessary confirmation for the delivered goods that are related to the letters of credit for which the confirmations are in process by 31 March 2008, any residual letters of credit will be part of the unresolved issues arising from the termination of the oil-for-food programme, and that would fall under the streamlined claims settlement mechanism proposed by the Secretary-General (S/2007/725), which is currently under consideration by the Security Council.

19. If the confirmation of arrival of goods for the 114 letters of credit with an approximate value of $385 million (see annex I) is not received by 31 March 2008, those funds will be retained in the United Nations Iraq Account until the issues have been resolved by the streamlined mechanism. Therefore, the Working Group agreed that it would be in the best interest of the concerned ministries to resolve outstanding claims before 31 March.

20. With respect to the planned cancellations (see table 3), the Working Group agreed that it would be necessary to follow up with BNP Paribas on an expedited basis for the cancellation of the letters of credit listed in annex IV by March 2008.

21. The Working Group agreed to meet in mid-March 2008 to further review the progress made.

For the United Nations
(*Signed*) Warren **Sach**
17 January 2008

For the Government of Iraq
(*Signed*) Srood **Najib**
17 January 2008

For the Working Group (United Nations)
(*Signed*) Teklay **Afeworki**
17 January 2008

For the Working Group (Central Bank of Iraq)
(*Signed*) Haseeb Kadhm **Iwaid**
17 January 2008

Annex I

Confirmation of arrival in Iraq (COA) in process (partial or full)

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Agriculture	702154	U725738	474 818.36	0.00	474 818.36
Agriculture	1100581	V734761	40 169 504.37	0.00	40 169 504.37
Electricity	601808	Z725517	1 210 560.00	0.00	1 210 560.00
Electricity	1200853	P738659	4 271 390.29	0.00	4 271 390.29
Oil Spares	631099	Z737736	185 051.33	0.00	185 051.33
Oil Spares	830875	C734978	135 287.57	0.00	135 287.57
Oil Spares	930181	L729782	44 436 654.59	0.00	44 436 654.59
Oil Spares	930599	L733054	702 937.65	0.00	702 937.65
Oil Spares	1030296	T734029	287 502.51	0.00	287 502.51
Oil Spares	1230176	P751169	2 242 858.60	0.00	2 242 858.60
Oil Spares	1230497	P739154	337 438.21	0.00	337 438.21
Subtotal (no documents pending)		**12 LCs**	**94 454 003.47**	**0.00**	**94 454 003.47**
Agriculture	601333	Z718896	5 701 045.67	719 593.26	4 981 452.41
Agriculture	601799	Z719838	11 574 066.24	9 506 200.00	2 067 866.24
Agriculture	702423	U726920	3 348 925.93	3 296 299.71	52 626.22
Agriculture	800329	C729396	4 024 814.04	4 024 814.04	0.00
Agriculture	800783	C727202	3 076 225.82	3 076 225.82	0.00
Agriculture	801639	M751744	285 714.29	179 696.79	106 017.49
Agriculture	801777	M728103	646 870.93	646 168.89	702.04
Agriculture	1002233	T751386	7 018 010.04	786 619.87	6 231 390.17
Agriculture	1002236	T751710	1 180 449.20	43 731.78	1 136 717.42
Agriculture	1100304	V736362	1 296 473.47	1 296 463.56	9.91
Agriculture	1100926	V736033	5 099 208.95	1 947 856.94	3 151 352.01
Agriculture	1101106	V751800	1 730 908.94	1 730 908.94	0.00
Agriculture	1101473	V736780	566 997.98	566 997.98	0.00
Agriculture	1200447	P750982	903 127.61	191 898.99	711 228.62
Agriculture	1200564	P750157	1 950 950.57	1 950 950.57	0.00
Agriculture	1200933	P739022	3 820 863.86	175 458.59	3 645 405.28
Agriculture	1201414	P750944	3 811 513.19	2 452 513.10	1 359 000.09
Agriculture	1300126	B750927	177 197.26	177 197.23	0.03
Agriculture	1300396	B751597	126 459.18	71 064.14	55 395.04
Communication/Transportation	901366	L731772	143 260.13	143 252.76	7.38
Communication/Transportation	1201424	P750468	141 898.34	140 889.75	1 008.59
Communication/Transportation	1201532	P750004	7 346 938.78	7 346 938.78	0.00
Education	702153	U735282	8 505 000.00	8 505 000.00	0.00
Electricity	601654	Z725037	19 918 584.19	23 970.50	19 894 613.69

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Electricity	601701	Z722153	336 027.70	336 027.70	0.00
Electricity	700663	U724186	1 552 678.00	307 308.00	1 245 370.00
Electricity	801479	C733847	11 674 357.94	66 043.89	11 608 314.05
Electricity	900778	L737115	800 477.51	800 477.51	0.00
Electricity	900778	L737360	1 732 061.22	843 368.51	888 692.71
Electricity	901749	L732684	2 474 113.39	37 565.79	2 436 547.60
Electricity	1001243	T733865	5 868.56	5 577.00	291.56
Electricity	1200840	P738507	1 107 792.00	109 542.00	998 250.00
Food	1300594	B751625	3 765 663.09	3 757 649.85	8 013.24
Food Handling	801598	C726086	4 364 362.97	957 256.06	3 407 106.91
Food Handling	902034	L735561	197 128.16	197 128.13	0.03
Food Handling	1000226	T731031	1 670 672.42	22 871.89	1 647 800.54
Food Handling	1001275	T739181	121 955.79	77 483.88	44 471.91
Food Handling	1100102	V734534	729 617.68	729 616.62	1.06
Food Handling	1101147	V735680	746 792.94	736 243.15	10 549.80
Food Handling	1101710	V737379	4 816 130.32	4 062 719.40	753 410.92
Food Handling	1200291	P737772	356 506.17	324 349.71	32 156.46
Food Handling	1300164	B750291	1 385 433.67	1 385 433.67	0.00
Food Handling	1300213	B750302	1 059 665.60	1 059 665.60	0.00
Health	801130	M728881	971 256.14	971 256.06	0.07
Health	1000752	T739588	6 431 402.30	228 825.48	6 202 576.82
Health	1100539	V737691	489 326.82	55 311.95	434 014.87
Housing	801344	C726197	2 403 846.41	2 403 839.65	6.76
Housing	802954	C738447	1 630 351.82	1 080 288.97	550 062.86
Housing	900034	L727655	3 843 811.36	3 843 801.18	10.17
Housing	900209	L729055	15 401 525.87	3 346 213.79	12 055 312.08
Housing	900991	L751810	118 060.61	118 060.61	0.00
Housing	901788	L731638	71 084.13	71 084.13	0.00
Housing	1000426	T732124	3 052 687.68	284 992.52	2 767 695.16
Housing	1000445	T733494	6 898 130.61	6 737 200.57	160 930.04
Housing	1000446	T734532	1 282 036.14	771 385.09	510 651.05
Housing	1000454	T731373	392 627.61	370 281.92	22 345.69
Housing	1001474	T751716	16 403 616.12	467 042.27	15 936 573.85
Housing	1001517	T751770	17 836 734.69	5 982 915.45	11 853 819.24
Housing	1100087	V735834	1 885 803.95	34 510.79	1 851 293.16
Housing	1100129	V736053	237 721.73	74 236.40	163 485.34
Housing	1100408	V736165	51 487.55	51 487.24	0.31
Housing	1300215	B750425	394 692.57	394 692.55	0.01
Industry	1200555	P751720	479 336.88	479 336.88	0.00

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Oil Spares	630631	Z737711	196 400.00	196 400.00	0.00
Oil Spares	630860	Z731736	30 336.02	12 213.30	18 122.72
Oil Spares	631026	Z751762	682 727.27	37 272.72	645 454.55
Oil Spares	631028	Z751761	672 727.00	672 727.00	0.00
Oil Spares	631031	Z751763	2 174 545.00	2 174 545.00	0.00
Oil Spares	631048	Z728693	420 000.00	385 000.00	35 000.00
Oil Spares	730971	U737440	709 600.29	660 782.38	48 817.92
Oil Spares	731024	U737646	2 541 353.94	2 209 528.86	331 825.07
Oil Spares	731032	U737779	4 516 134.37	4 516 134.37	0.00
Oil Spares	830558	M734207	79 002.17	79 002.17	0.00
Oil Spares	830639	M734860	23 338.19	23 338.19	0.00
Oil Spares	1030389	T735614	136 734.68	136 734.68	0.00
Oil Spares	1030451	T735631	61 361.03	61 361.03	0.00
Oil Spares	1030463	T734293	2 396 180.76	297 405.25	2 098 775.51
Oil Spares	1030464	T751365	1 121 117.93	828 630.39	292 487.54
Oil Spares	1030568	T735765	14 577.26	14 577.26	0.00
Oil Spares	1030622	T751572	98 879.02	50 823.67	48 055.35
Oil Spares	1030728	T735299	27 073 063.64	4 081 853.19	22 991 210.45
Oil Spares	1230025	P751776	2 363 636.36	2 363 636.36	0.00
Oil Spares	1230094	P739017	101 046.53	52 155.56	48 890.98
Oil Spares	1230127	P751526	489 375.45	41 165.35	448 210.10
Oil Spares	1230159	P738616	46,685.79	46 685.79	0.00
Oil Spares	1230318	P750352	88 700.82	83 481.84	5 218.98
Oil Spares	1230347	P738858	88 296.46	88 296.46	0.00
Oil Spares	1230495	P750674	266 170.55	266 170.55	0.00
Oil Spares	1230584	P751290	61 734.69	61 734.69	0.00
Oil Spares	1230588	P750096	274 316.33	274 316.33	0.00
Oil Spares	1230606	P751359	62 241.98	62 241.98	0.00
Water & Sanitation	700712	U732313	275 125.00	82 200.00	192 925.00
Water & Sanitation	702674	U751752	401 871.84	401 871.84	0.00
Water & Sanitation	802571	M750987	4 030 327.99	4 030 327.99	0.00
Water & Sanitation	802719	C750829	3 055 615.16	3 055 615.16	0.00
Water & Sanitation	901987	L734729	874 635.57	874 635.57	0.00
Water & Sanitation	902053	L736336	10 781 592.13	337 888.09	10 443 704.04
Water & Sanitation	902090	L738698	479 200.00	121 500.00	357 700.00
Water & Sanitation	1000840	T734819	105 250.47	105 250.47	0.00
Water & Sanitation	1001204	T751571	10 179 867.35	4 744 966.47	5 434 900.87
Water & Sanitation	1001466	T736516	1 456 559.77	1 138 204.20	318 355.57
Water & Sanitation	1100301	V737613	190 475.74	190 475.74	0.00

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Water & Sanitation	1200370	P738022	339 252.19	339 252.19	0.00
Subtotal (with documents pending)		**102 LCs**	**290 528 407.49**	**127 784 205.94**	**162 744 201.55**
Total		**114 LCs**	**384 982 410.96**	**127 784 205.94**	**257 198 205.02**

Annex II

Commercial disputes to be resolved and COA to be provided before 31 March 2008

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Housing	801103	C725591	1 144 532.58	52 501.60	1 092 030.98
Food Handling	901341	L737106	262 577.26	262 577.26	0.00
Housing	802968	C737867	353 166.55	353 166.55	0.00
Communication/Transportation	801061	C727374	2 344 188.00	2 290 543.59	53 644.42
Total		4 LCs	4 104 464.39	2 958 788.99	1 145 675.39

Annex III

Commercial disputes which may not be resolved by 31 March 2008

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Housing	601979	Z726060	2 131 883.91	0.00	2 131 883.91
Water & Sanitation	1300131	B750306	14 918 542.27	0.00	14 918 542.27
Subtotal (no documents pending)		2 LCs	17 050 426.18	0.00	17 050 426.18
Communication/Transportation	1100335	V734553	109 362.97	109 362.97	0.00
Communication/Transportation	1201429	P750492	62 153.06	62 153.06	0.00
Communication/Transportation	1300033	B750473	1 829 446.06	697 588.12	1 131 857.94
Electricity	702374	U760000	21 011 476.00	7 468 890.00	13 542 586.00
Food Handling	1000288	T731067	145 772.59	145 772.59	0.00
Food Handling	1200994	P751686	1 804 508.78	261 085.63	1 543 423.15
Food Handling	1201398	P750262	78 658.97	78 658.89	0.07
Housing	802969	M737883	23 632.06	23 501.24	130.82
Housing	1100020	V735808	4 530 839.88	42 306.68	4 488 533.21
Housing	1100139	V734535	1 693 347.57	1 686 873.32	6 474.24
Housing	1100149	V734536	60 042.13	42 446.14	17 595.99
Oil Spares	930074	L730874	887 880.20	230 323.70	657 556.50
Subtotal (with documents pending)		**12 LCs**	**32 237 120.27**	**10 848 962.35**	**21 388 157.92**
Total		**14 LCs**	**49 287 546.45**	**10 848 962.35**	**38 438 584.10**

Annex IV

Letters of credit targeted for cancellation

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Agriculture	802673	C729573	22 000.00	0.00	22 000.00
Communication/Transportation	1101138	V735694	4 623 906.71	0.00	4 623 906.71
Communication/Transportation	1101214	V735708	2 507 288.63	0.00	2 507 288.63
Communication/Transportation	1200057	P736624	3 362 012.99	0.00	3 362 012.99
Education	900655	L737547	37 861 828.41	0.00	37 861 828.41
Education	1101025	V737519	2 673.00	0.00	2 673.00
Education	1300021	B739304	9 604 896.28	0.00	9 604 896.28
Electricity	1101995	V738920	2 177 705.34	0.00	2 177 705.34
Electricity	1200844	P738601	12 075 791.84	0.00	12 075 791.84
Food	1200623	P751734	6 702 610.66	0.00	6 702 610.66
Health	701121	U723215	175 000.00	0.00	175 000.00
Health	1200070	P750366	2 608 965.01	0.00	2 608 965.01
Housing	1000600	T732494	30 755 367.08	0.00	30 755 367.08
Oil Spares	278	K712779	511 809.06	0.00	511 809.06
Oil Spares	630745	Z720101	171 052.73	0.00	171 052.73
Oil Spares	631157	Z751164	3 618 075.80	0.00	3 618 075.80
Oil Spares	730770	U731683	19 614 089.82	0.00	19 614 089.82
Oil Spares	830267	M727734	89 806.65	0.00	89 806.65
Oil Spares	830330	C729335	361 871.08	0.00	361 871.08
Oil Spares	1030526	T751291	978 221.57	0.00	978 221.57
Oil Spares	1230009	P751781	2 011 952.19	0.00	2 011 952.19
Oil Spares	1230582	P751730	1 793 357.14	0.00	1 793 357.14
Water & Sanitation	801214	C725898	7 951.43	0.00	7 951.43
Water & Sanitation	901066	L751671	25 000 000.00	0.00	25 000 000.00
Water & Sanitation	1002009	T738894	4 453.35	0.00	4 453.35
Subtotal (no documents pending)		**25 LCs**	**166 642 686.78**	**0.00**	**166 642 686.78**
Agriculture	802974	M738082	10 011.60	10 011.60	0.00
Agriculture	1201412	P751161	3 644 813.66	0.00	3 644 813.66
Agriculture	1201433	P751682	16 961.01	11 762.19	5 198.82
Communication/Transportation	600833	Z729302	110 069.00	0.00	110 069.00
Communication/Transportation	1100075	V734155	42 234.55	42 234.55	0.00
Communication/Transportation	1201430	P739433	219 530.89	215 303.70	4 227.19
Electricity	700824	U724641	339 592.71	339 592.71	0.00
Electricity	801150	M728133	12 583.88	3 306.00	9 277.88
Food	1200278	P738491	371 859.68	81 025.66	290 834.02
Food	1300553	B751627	98 381.17	98 381.17	0.00

Sector	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Food Handling	1101233	V751706	222 563.44	222 393.41	170.03
Food Handling	1101881	V751733	962 876.38	19 212.20	943 664.18
Health	801381	M728717	7 458.88	7 458.88	0.00
Health	1200288	P750602	18 252.55	18 252.55	0.00
Housing	1100016	V733855	113 726.49	21 676.49	92 050.00
Oil Spares	731018	U737630	304 432.81	304 432.81	0.00
Oil Spares	830307	M728505	15 346.94	15 346.94	0.00
Oil Spares	830694	M737946	1 400 567.70	116 922.81	1 283 644.89
Oil Spares	830799	C732826	104 227.41	16 763.85	87 463.56
Oil Spares	1030349	T735766	5 302 205.79	42 114.18	5 260 091.60
Oil Spares	1030441	T751294	520 888.41	708.45	520 179.96
Oil Spares	1230061	P738957	16 020.52	16 020.52	0.00
Oil Spares	1230165	P750440	106 374.64	106 374.64	0.00
Oil Spares	1230276	P751455	5 503.12	5 503.12	0.00
Oil Spares	1230417	P751267	84 675.52	2 186.59	82 488.94
Oil Spares	1230448	P739150	1 786 997.08	1 212 253.64	574 743.44
Oil Spares	1230554	P750081	38 980.41	38 980.41	0.00
Oil Spares	1230556	P751484	4 373.18	4 373.18	0.00
Oil Spares	1230558	P750349	7 014.72	7 014.72	0.00
Oil Spares	1230615	P750175	12 185.42	9 528.27	2 657.16
Water & Sanitation	901392	L751798	16 818.80	10 296.44	6 522.36
Water & Sanitation	1300129	B750354	1 117 824.10	50 897.84	1 066 926.25
Subtotal (no documents pending)		**32 LCs**	**17 035 352.46**	**3 050 329.52**	**13 985 022.94**
Total		**57 LCs**	**183 678 039.24**	**3 050 329.52**	**180 627 709.72**

Annex V

Paid or to be paid in 2008

Sector		Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$
Agriculture	*	802679	C731210	988 137.89	0.00	988 137.89
Education	*	600882	Z718687	900 547.82	0.00	900 547.82
Food Handling	*	1000623	T732881	68 845.35	0.00	68 845.35
Oil Spares		1230255	P738650	406 985.74	0.00	406 985.74
Water & Sanitation		1200401	P750513	353 648.72	0.00	353 648.72
Subtotal (no documents pending)			**5 LCs**	**2 718 165.52**	**0.00**	**2 718 165.52**
Agriculture	*	601909	Z727261	796 254.00	765 856.00	30 398.00
Agriculture	*	800784	C727209	680 270.52	680 270.52	0.00
Agriculture	*	901306	L731155	1 445 150.80	1 445 150.80	0.00
Agriculture	*	1100171	V751200	81 124.20	81 124.20	0.00
Agriculture	*	1200538	P751207	47 039.27	47 039.27	0.00
Communication/Transportation		601309	Z730434	427 428.62	0.00	427 428.62
Education	*	601441	Z719977	1 411 090.91	1 363 600.00	47 490.91
Food	*	900045	L726681	1 730 889.80	1 730 889.80	0.00
Food	*	1100100	V734670	10 940 941.18	10 940 941.18	0.00
Food Handling	*	1001636	T736742	253 909.40	159 612.39	94 297.01
Housing		702787	U732869	2 097 351.55	2 097 351.55	0.00
Housing		800975	C725998	1 709 990.74	1 709 297.77	692.97
Housing	*	802945	C736601	162 618.95	9 617.42	153 001.53
Housing	*	900032	L728872	6 696 764.39	6 696 764.07	0.32
Housing		1000299	T732141	23 618.63	21 601.47	2 017.16
Housing		1101152	V737364	2 979 296.63	2 979 296.63	0.00
Subtotal (no documents pending)			16 LCs	31 483 739.59	30 728 413.07	755 326.52
Total			**21 LCs**	**34 201 905.11**	**30 728 413.07**	**3 473 492.04**

* Please refer to the letters of the President of the Security Council dated 8 November 2007 addressed to the Permanent Representative of Iraq to the United Nations and the Secretary-General.

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General Assembly
Sixty-second session
Agenda items 17, 18, 33, 71 (c) and 108

The situation in the Middle East

Question of Palestine

Report of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories

Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance: assistance to the Palestinian people

Measures to eliminate international terrorism

Security Council
Sixty-third year

Identical letters dated 23 January 2008 from the Permanent Representative of the Islamic Republic of Iran to the United Nations addressed to the Secretary-General and the President of the Security Council

I have the honour to bring to your attention a matter of high urgency and importance which has brought about anguish and grave concern for the whole international community, including the people and Government of my own country. As you are aware, the latest crimes of the Israeli regime in the Gaza Strip, as a blatant violation of international law, including humanitarian and human rights law, have resulted in unspeakable sufferings for the people living in the Gaza Strip, and in the brutal killing and wounding of hundreds of people, including children and women, during the past several weeks.

The Israeli regime's continued acts of violence and terror against the Palestinian people have deteriorated the already dire and grave humanitarian situation in the Gaza Strip, which United Nations officials have already described as "extremely fragile". As the United Nations Special Rapporteur on the situation of human rights in the occupied Palestinian territories has rightly stressed, "those

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responsible for such cowardly action are guilty of serious war crimes and should be prosecuted and punished for their crimes".

Due to the said inhumane policies and practices against the impoverished Palestinian people in the Occupied Palestinian Territories, particularly in the Gaza Strip, the situation there has been turned into a humanitarian catastrophe, unprecedented in recent history, where the civilian population continues to be collectively punished under an atrocious and crippling siege. In yet another showcase of its brutality, the Zionist regime has intensified its destruction of civilian infrastructure, and the closure of the Gaza Strip by sealing all border crossings, preventing even the delivery of basic goods such as foodstuffs and medical supplies to the innocent Palestinian people, and has cut off fuel to the main power plant in the Gaza Strip. These crimes have led to the starving of the people, the plunging of the whole area into darkness and the whole population being left in a very serious and dangerous humanitarian situation which is getting worse every hour.

The absence of a meaningful, timely and appropriate action by relevant officials and organs of the United Nations has emboldened the Israeli regime in its atrocities and unlawful actions. These recent Israeli war crimes in the Gaza Strip threaten international peace and security and would undoubtedly create more instability and serve to inflame tension and threaten to further destabilize the situation in the region. Therefore, it is an imperative for the international community to be more effectively involved and unambiguously prevent the said regime from carrying out its inhumane practices against the Palestinians. The Security Council has a responsibility to take appropriate measures to prevent the said regime from continuing its unlawful policies and actions. Recognizing the need for taking a decisive and meaningful action in the face of this new escalation of conflict in the region, we hope that all members of the Council, particularly those who have obstructed the Council's actions in this regard in the past, will live up to their responsibilities in properly addressing this grave situation.

The Israeli regime should be put under immediate pressure to end its occupation of the Palestinian and other Arab territories and to relinquish its atrocious practices against the Palestinian people, particularly its most recent brutalities against the Palestinians in the Gaza Strip.

Given the present difficult circumstances that the Palestinian people in the Gaza Strip are experiencing, we earnestly expect the relevant United Nations agencies to take all possible and immediate measures in providing them with the basic goods and services they need at this critical juncture.

I would be grateful if you could have the present letter circulated as a document of the General Assembly under agenda items 17, 18, 33, 71 (c) and 108, and of the Security Council.

(*Signed*) Mohammad **Khazaee**
Ambassador
Permanent Representative